

Top Secret

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NATIONAL INTELLIGENCE DAILY CABLE

Monday 5 December 1977 CG NIDC 77/281c

NATIONAL SECURITY INFORMATION

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National Intelligence Daily Cable for Monday, 5 December 1977.

The NID Cable is for the purpose of informing senior US officials.

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EGYPT: Anti-Soviet Moves

25X1 [redacted] //Egypt's recall for consultations of its Ambassador to the USSR underscores President Sadat's displeasure with Moscow's refusal to attend the Cairo preparatory conference.

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25X1 [redacted] Egyptian Vice President Mubarak informed the US Ambassador on Saturday that Egypt intended to order the return of its Ambassador and military attache in Moscow, as well as its top diplomatic and military representatives in Algeria, Syria, Iraq and South Yemen. Mubarak indicated that these Ambassadors and military attaches will remain in Egypt indefinitely. He further remarked that no action is being planned against the concerned embassies in Cairo.

25X1 [redacted] President Sadat probably sees these actions as a way of expressing his displeasure without causing a complete break in relations with the Soviet Union, whose cooperation in Middle East peacemaking efforts may be needed at some future date.

25X1 [redacted] The Egyptian moves are likely to deepen the anger of those Arab states who oppose Sadat's efforts to move the settlement process forward. It could also work against any early reconciliation between Egypt and Syria.

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ARAB STATES: Tripoli Summit Landing

25X1 [redacted] The Libyan-hosted summit of Arab states opposed to Egypt's initiatives toward Israel appears to have ended, and a final communique reportedly will be issued later today. There apparently has been considerable dissension among the

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participants. The reported walkout by the Iraqi representative suggests that the final results of the conference may prove to be milder than some radical Arabs had wished. Moreover, a militant statement announced by the Palestinians in Tripoli yesterday is likely to be sidestepped by Palestine Liberation Organization chief Yasir Arafat.

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[] The meeting reportedly has been the scene of considerable acrimony between radical and more moderate Arabs, resulting in the Iraqi delegate's walkout from the session that concluded early this morning. Syria is said to have been reluctant to agree to any steps at the conference that might have seriously reduced its political options toward Egypt and Middle East peacemaking efforts in general.

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[] We cannot confirm a press report that Algeria, Syria, and South Yemen have agreed to follow Libya's lead in breaking diplomatic relations with Egypt. Libyan President Qadhafi is reported to have conceded publicly yesterday that the summit has produced "nothing new," although other press reports indicate that those attending the meeting, with the exception of Iraq, have agreed to form a "military and political" front designed further to isolate Egypt.

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[] Palestinian representatives in Tripoli made an ostensible show of unity by issuing a joint statement that reportedly reaffirms the PLO's refusal to attend any peace conference called on the basis of UN Security Council Resolution 242. The Palestinians also are said to have rejected "reconciliation, recognition, or negotiations" with Israel.

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[] The statement appears to reflect the fact that Palestinian rejectionists were strongly represented at the meeting. Despite the harsh rhetoric, it is unlikely that Arafat and other Palestinian moderates have decided to abandon their efforts to involve the PLO in the settlement process. The absence of Arafat himself from the Palestinians' press conference suggests that he is still trying to avoid total identification with the hard-line opponents of Sadat's initiatives. []

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PANAMA: Impatience About Treaty

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[] //Chief of Government Torrijos has set a six-month limit on Panamanian patience in waiting for US action on the canal treaties. The volume of Torrijos' rhetoric is almost

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sure to increase; some of it is shrewdly calculated for impact in the US, but it also reflects growing pessimism in Torrijos' inner circle as the country closes out its third year of zero economic growth amidst rising political criticism.//

25X1 [redacted] //On Friday, Torrijos was widely quoted as stating the US should either ratify the treaties within six months or "we will have to allow the US infantry to occupy Panama." He said Pentagon warnings that Panama could become another Vietnam have paralyzed the economy--an exaggerated charge that nevertheless underscores his primary domestic problem.//

25X1 [redacted] //Torrijos may have been motivated in part by some of the pessimistic statements about US ratification prospects made Thursday by visiting US Senators. There is, however, widespread concern at the higher levels of government over growing economic and political difficulties. [redacted]

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25X1 [redacted] //Several reasons underlie this pessimism. As in 1976, the government has recorded another year of negative per capita economic growth, with no sign of a turnaround without a ratified treaty. The administration is again worried about controlling students when they return from summer vacation in April. In late 1976 students led street protests against price increases, and this year they accounted for some of the most vociferous opposition to the new treaties.//

25X1 [redacted] //Torrijos' satisfaction at securing two-to-one approval of the pacts in the October plebiscite has been dissipated by the conclusion, by his advisers and the media alike, that the size of the negative vote demonstrated the erosion of support for the government and the need for quick economic remedies.//

25X1 [redacted] //As a result of the loosening of controls for the plebiscite, Torrijos in recent weeks has been the target of some of the heaviest public criticism of his nine-year tenure. Major business organizations strongly attacked the emergency economic measures the government announced in November. Last week, the Movement of Independent Lawyers, which spearheaded the drive against Panamanian treaty approval, organized an expanded Democratic Alliance for National Liberation.//

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[redacted] //Speakers at the inaugural ceremony, which was carried live by radio, called for major changes in the political system and legalization of political parties. Leaders of the banned parties attended and the major Panamenista Party announced plans for its own convention later this month.//

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[redacted] //Torrijos does not want to jeopardize chances for US Senate treaty ratification. On Friday, in fact, he followed up on the promise he made to US Senators last month by abrogating two decrees governing summary trials and limiting the right of assembly. Torrijos' reflection of his advisers' anxieties is also sporadic--he is not yet in serious trouble and apparently still believes he can choose between remaining as Chief of Government or being elected president in the election next August.//

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[redacted] //He does, however, appear somewhat depressed and his frustration with the country's prolonged stagnation is magnified by his own limited economic expertise. His warnings of violence are likely to become increasingly explicit as he moves into the new year, despite his sensitivity to the need to avoid the appearance of blackmailing the US. [redacted]

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NIGERIA: Akinyemi on Foreign Policy

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[redacted] //A Nigerian foreign policy adviser has defended his government's support for the Anglo-American proposals on Rhodesia and the present trend toward closer relations with the US. He also called for a more pragmatic approach to relations with Africa and the Arab world. His views probably reflect the thinking within Nigeria's foreign policy establishment.//

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[redacted] Dr. Bolaji Akinyemi, the director of the Nigerian Institute of International Affairs who is in frequent contact with senior Foreign Ministry officials, responded in a speech last month to domestic criticism of Nigeria's improved relations with the US. He justified increased consultations with the US on southern African issues as necessary if Nigeria wants to become a "regional power."

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25X1 [] Akinyemi's somewhat qualified support for the Anglo-American plan on Rhodesia reflects his hope--shared by the military government--that the plan will soon lead to majority rule.

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25X1 [] Akinyemi stressed that Nigeria, because of its overriding commitment to majority rule in southern Africa, measures relations with other countries by their degree of support for that goal. He predicted a souring of Nigerian-US relations should the US commitment falter or its policies not show promise of succeeding.

25X1 [] Akinyemi called for more "hard-headed realism" on Nigeria's part in its relations with black Africa and the Arab world. He believes Lagos has given more support than it has received for Nigeria's own objectives. Akinyemi's remarks appear to be strongly colored by the opposition and indifference Nigeria encountered from many French-speaking West African states and Arab countries in its recent successful, hard-fought battle to gain a seat on the UN Security Council. []

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NAMIBIA: Settlement Talks

25X1 [] *//In a meeting with the Western contact group in Pretoria over the weekend, South African Foreign Minister Botha stated as "final" several conditions for a Namibian settlement that differ significantly from the Western proposals. His comments indicate, however, that South Africa may still hope that the Western initiative will result in an internationally acceptable independence program.//*

25X1 [] *//Botha told the group that South Africa will keep at least 3,000 troops in Namibia until an independent government is established, and will not accept a UN peacekeeping force larger than 2,000, which must be deployed evenly on both sides of the Namibia-Angola border. The contact group proposed a residual South African military presence of 1,500 troops and a UN force of some 2,000 inside Namibia.//*

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[] //Botha stated flatly that South Africa will conduct a preindependence election throughout Namibia in June 1978, with or without UN supervision or a truce with the South-West Africa People's Organization. The contact group has proposed than an election be deferred until several months after South African troops are withdrawn, a UN force is in place, and UN civil observers have assured freedom of action for all Namibian political groups.//

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[] //By setting an election date, South Africa has reasserted its determination to proceed with its own independence program for Namibia if the Western initiative fails to bring an early agreement for UN participation. The election date has not been publicly announced, however, and Botha told the South African press that further talks with the contact group are possible. Moreover, Botha acknowledged that South Africa is anxious for an internationally acceptable settlement because any Namibian Government without international recognition would be more determined to "bite South Africa's hand."//

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ZAIRE: Second Term for Mobutu

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[] *Mobutu Sese Seko will take the oath of office Monday for his second seven-year term as President of Zaire. The ceremony marks the culmination of Mobutu's "move to democracy," a five-month effort to create a better image of Zaire among foreigners and to give Zairians a sense of participation in their government.*

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[] Mobutu announced the move to democracy in early July, after he had had time to assess the crisis in Shaba Region last spring. Although the armed exiles who invaded Shaba retreated back to Angola, the threat to his regime revealed a major weakness that needed correcting.

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[] He recognized that his autocratic rule had aroused so much criticism abroad that some of Zaire's long-time allies--including the US--were unwilling to provide full support during the Shaba crisis. As always, Mobutu's exiled enemies, led by the former Katangan gendarmes, played up his reputation as a corrupt dictator.

25X1 [] Mobutu responded by announcing "free and democratic" elections for the country's three political institutions. After a lively campaign at the grass-roots level, Zairians over the age of 18 went to the polls on three consecutive weekends in October.

25X1 [] The US Embassy in Kinshasa found the regime's handling of the balloting to be mixed. The election of 1,073 members to the country's 75 urban zone councils appeared honest, but there was some evidence of tampering in the election of the 270-member national Legislative Council from the more than 2,000 candidates.

25X1 [] The Embassy reported indications of serious tampering in selecting the 18 elected members of the 30-seat Political Bureau of Zaire's sole political party, the Popular Movement of the Revolution. Mobutu reserved the right to appoint 12 members; most of the 18 elected members had been active in politics before Mobutu's takeover in 1965. Several of them have been tactfully critical of the regime's policies.

25X1 [] Despite the vote tampering, the fact that members of the Legislative Council and the Political Bureau were elected--instead of being hand-picked by the government as previously--should make those bodies somewhat more active and independent.

25X1 [] From Mobutu's standpoint, the election process was a success, and he achieved his objective of having numerous Zairian candidates running hard for office at all levels. He will certainly use this demonstration of mass participation in an orderly process of political liberalization to counter the criticism of his foreign detractors.

25X1 [] What will probably not be clear for some time is the degree to which the newly elected institutions will be allowed to function. Mobutu will most likely tolerate a higher level of loyalist dissent, but he will not let it interfere with his position as supreme decisionmaker. As expected, Mobutu's party last month named him as the only candidate in the presidential election of 2 December.

25X1 [] Mobutu's new seven-year term will probably be no less trouble-free than the last one. Zaire is virtually bankrupt and Zairians are growing restive over their declining real incomes and the lack of improvement in their living standards.

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[] The government can do little to meet popular demands without further jeopardizing its poor standing among foreign creditors. Thousands of hostile exiles in Angola hope that circumstances will afford them an opportunity to cut short Mobutu's new term of office. []

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BOPHUTHATSWANA: Independence

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[] *Tomorrow Bophuthatswana will become the second of South Africa's 10 black homelands to gain independence. Homelands independence is the core of South Africa's segregationist policy of separate development for blacks, with 13 percent of the land set aside for over 19 million blacks. Bophuthatswana faces the same political and economic problems as Transkei, which attained independence in October 1976 and continues to be economically dependent on South Africa.*

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[] One of the most fragmented of the homelands, Bophuthatswana comprises six widely separated pieces of land, which if combined would be about the size of Switzerland. Governing the country will be an administrative nightmare; the separate divisions will not have local governments and will be ruled from a capital north of Mafeking.

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[] Despite its mineral wealth, a modest industrialization program, and considerable potential for expansion of agriculture, Bophuthatswana will continue to rely heavily on South Africa for revenue and for employment of most of its rapidly growing labor force.

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[] Because of the proximity of the industrialized areas of Johannesburg and Pretoria, an unusually high percentage of Bophuthatswana citizens live outside the homeland. More than 1,300,000 members of the Tswana ethnic group living in white areas in South Africa will automatically lose their South African citizenship at independence, facing possible deportation as "foreign" blacks.

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[] While it is the home of the Tswanas, Bophuthatswana also has a larger proportion of minority tribes than any other homeland. Some of these groups have indicated reluctance to be ruled by a Tswana-dominated government. The way Bophuthatswana handles its internal problems and its relations with South Africa thus could have an effect on how quickly other homelands opt for independence.

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25X1 [] Like Transkei, Bophuthatswana is unlikely to be recognized by any country other than South Africa, because recognition would amount to condoning South African racial policies. This poses problems, however, for Botswana and Lesotho; Bophuthatswana lies astride major road and rail lines connecting them with South Africa, and they are dependent on the latter country for much of their economy. South Africa thus might try to press them into recognition. []

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SEYCHELLES: Indian Ocean Politics

25X1 [] *President Rene of Seychelles, who has sought to moderate his leftist image since he came to power last June, says he is uneasy about recent Soviet efforts to cultivate his government. He may be genuinely concerned about Soviet intentions, but he is also out to attract Western and Arab support and investment needed to ensure the stability of his government.*

25X1 [] Rene told the US charge last month that he has turned aside Soviet offers of technical assistance and scholarships, that he is worried about the large number of Soviet Embassy officers in Victoria, and that he is uneasy about Soviet fishing trawlers in Seychelles' territorial waters. He also said that the Soviet Ambassador has become insistent about establishing closer ties.

25X1 [] On the occasion of an elaborate Soviet celebration of the 60th anniversary of the Bolshevik revolution, Rene indirectly criticized the Soviets for violating territorial waters and took a mild swipe at the Soviet efforts to gain influence in the country. He also called on the superpowers to stop supplying arms to countries in the Indian Ocean area.

25X1 [] Because Seychelles has few natural resources and is dependent on private investors and international donors, Rene has tried to maintain good relations with the West and to reassure potential investors by promising to avoid nationalizations and exchange controls. //Rene is also aware of the economic benefits of the US presence on the islands; the US maintains a tracking station on the main island and US naval ships and reconnaissance aircraft periodically visit the country.//

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[] Rene's efforts may be beginning to pay off. France has promised development aid, and the President apparently has gained assurances that developers will soon begin construction of two large hotels--tourism is the largest foreign change earner. The projects would virtually eliminate male unemployment for almost three years.

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[] Rene's government, despite its pragmatic inclinations, looks to Tanzania as a model for its socialist development. After the coup in June, Tanzania followed up on its longstanding contacts with Rene and his party by quickly providing training and arms for a small security force Rene established. Persistent visits to Tanzania by Seychelles defense and information officials over the last few months suggest that Rene is seeking additional security assistance, as well as advisers for the media.

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[] Whatever Rene's intentions, he will have to continue accommodating his radical colleagues who were responsible for the coup and who now hold influential positions in his government. Rene has had difficulty controlling these individuals in the past, and may now find it difficult to balance their pressures for more radical policies with his own more pragmatic views. []

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IRAN: Causes of Power Shortages

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[] *The Iranian Government has widened the blame for the electric power shortages that forced daily blackouts and seriously reduced industrial production throughout Iran last summer. Three former officials of the Ministry of Energy face administrative trial on charges of malfeasance and subsequently may be subject to formal prosecution. Iran's electric power problems, however, are deeply rooted, and shortages will probably continue to occur.*

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[] The former Minister of Energy, his deputy for technical affairs, and the head of a government-owned, but autonomous power generating and transmission company are the officials involved. They have been charged with failure to secure competent engineering skills, to obtain necessary approvals from the Ministry of Economic Affairs and Finance, or to include performance timetables in contracts. Poor organization and decision-making also were alleged.

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[] In the midst of Iran's electric power crisis last summer, the Shah and other government officials blamed the shortage on a French firm--Alsthom Atlantique--for its failure to install generators on schedule at a new hydroelectric dam. Many observers felt that Iranian Government ineptitude was largely to blame, but few anticipated that any government officials would be brought up on charges.

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[] The power shortages in reality were caused by the government's underestimation of electric power demand, delays in completing transmission lines, and unforeseen technical difficulties in constructing the new dam. None of these problems will be quickly solved, and further shortages of electric power can be anticipated, despite the government's ambitious plans for increasing electric power capacity in the coming decade.

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OPEC: Exchange Rates and Earnings

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[] *The decline in the value of the dollar since the meeting last December of the Organization of Petroleum Exporting Countries has again raised concern among member nations over the declining real value of their oil earnings, which are denominated in dollars. Deliberations at the meeting in Caracas on 20 December will be influenced by this issue, but most OPEC members realize that pricing oil in dollars continues to work to their advantage. We do not think OPEC will switch from US dollar-denominated oil prices.*

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[] Shaykh Ali Khalifa, Under Secretary to the Kuwaiti Acting Oil Minister, recently discussed preserving the real value of oil earnings by setting oil prices in International Monetary Fund Special Drawing Rights (SDRs). OPEC members have not discussed any specific alternative basket of currencies besides the SDR group. Since members have different trading patterns with the major developed countries, they would have difficulty agreeing on another currency mix.

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[] The dollar has declined 1.4 percent against the SDR since the end of 1976, when most OPEC members last raised oil prices. Despite this decline, the value of the dollar relative to the SDR is still nearly 3 percent above its 1973 level. Based on the 1973 parity, the dollar fell below its base period level only between December 1974 and July 1975.

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[] Over the last four years, OPEC revenues from dollar oil prices have far exceeded the potential revenues that would have been generated through a pricing system based on Special Drawing Rights. Since mid-1974, when the dollar began to float against the SDR, cumulative dollar revenues have been more than \$10 billion above the amount that would have been received under an SDR pricing scheme.

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[] In 1977, the dollar's value relative to a group of 17 major currencies weighed by the value of OPEC imports from each country fell by about 3.5 percent. Nonetheless, at the end of October, the index stood at 3 percent above the March 1973 level. Since oil prices quadrupled in 1973-1974, dollar-denominated oil prices have generated a purchasing power gain for OPEC countries, except for the first six months of 1975.

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[] The purchasing power index of dollar revenues weighed by OPEC trade and foreign investment flows for 1976 showed less variation resulting from exchange rate movements because OPEC investments that year were predominantly dollar-denominated.

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[] The OPEC oil ministers' meeting scheduled for 20 December will focus on the issue of changing the oil prices. There is little indication that the ministers will seriously consider switching from dollar-denominated oil prices. Even though reports indicate that Kuwait has informed Saudi Arabia of a growing concern over the erosion of real income from currency fluctuations, the impact of world inflation on OPEC earnings still appears to be the primary monetary issue. []

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BOLIVIA: Banzer Will Not Run

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[redacted] President Banzer's announcement on Thursday that he does not intend to run for the presidency next year portends a period of economic and political uncertainty for Bolivia. His decision may, however, be designed to lessen opposition within the military.

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[redacted] Bolivia has enjoyed more than six years of stability under Banzer's leadership. Those who benefited most during Banzer's regime--the middle class and business sector--already have expressed considerable apprehension about a return to civilian politics.

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[redacted] Banzer's decision apparently was sudden. Last month, he announced that an election would be held in July 1978. Since then, he has had difficulty putting together the coalition he hoped would back his candidacy. Resistance to the President's plans among the military may have convinced him that he had insufficient backing.

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[redacted] Banzer may have planned the announcement of his "irrevocable decision" to bring the military into line. He initiated a number of high command changes earlier this week, removing some of his major military opponents.

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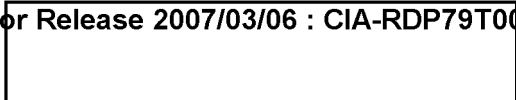
[redacted] If Banzer is sincere in his intention not to run, he will remain in office until his successor is elected. The President no doubt would handpick a candidate as well as closely monitor the reemergence of political activity in Bolivia.

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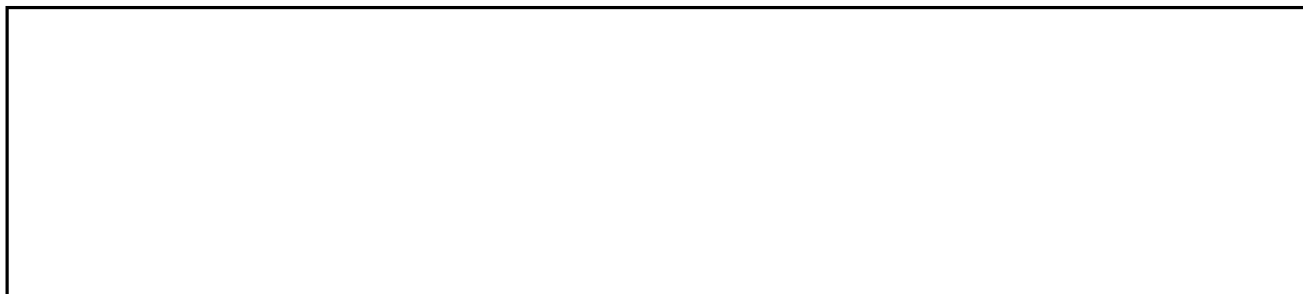
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BRIEFS

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Namibia

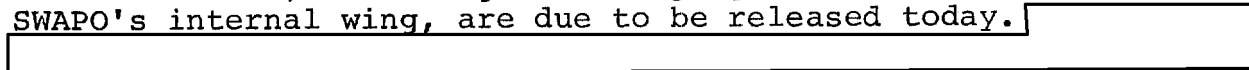
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[REDACTED] The South African Foreign Ministry told the US Embassy in Pretoria yesterday that 11 officials of the internal wing of the South-West Africa People's Organization, which operates legally inside Namibia, were arrested Friday on suspicion of having contact with terrorists. The 11 were reportedly detained by security police, who acted without instructions from higher authorities, during a visit to Ovamboland, where SWAPO support has traditionally been strongest.

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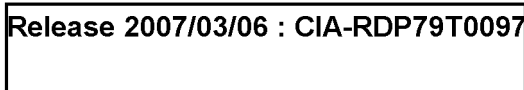
[REDACTED] A spokesman for Justice Steyn, the Administrator General for Namibia appointed by South Africa, has reportedly protested the arrests. Four of the detainees have been released, and six others, including Daniel Tjongarero, the leader of SWAPO's internal wing, are due to be released today.

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